

ILLINOIS COMMERCE COMMISSION

Complaint to stop Ameritech from using misleading marketing and advertising materials and statements concerning Simplifive and CallPack rates.

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ON BEHALF OF THE CITIZENS UTILITY BOARD

Date 5/3/00 Reporter A

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2

3 A. My name is Jonathan Goldman, and my business address is 208 S. LaSalle Street, Suite
4 1760, Chicago, Illinois 60604.

5

6

7 Q. WHAT IS YOUR PRESENT OCCUPATION?

8

9 A. I am the Director of Policy and Governmental Affairs for the Citizens Utility Board
10 ("CUB").

11

12

13 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

14

15 A. I am testifying on behalf of the Citizens Utility Board.

16

17

18 Q. ARE YOU THE SAME JONATHAN GOLDMAN WHO SUBMITTED DIRECT
19 TESTIMONY IN THIS DOCKET?

20

21 A. Yes.

22

23

1 Q. HAVE YOU READ THE DIRECT TESTIMONY SUBMITTED ON BEHALF OF
2 AMERITECH IN THIS DOCKET?

3
4 A. Yes, I have read the public testimonies of Jeffrey Fargo, Urvi Shah and David Sorenson,
5 and the testimony of Derek Curtis. I also read the public testimony of Cindy Jackson and the
6 testimony of Robert Koch, the commission staff witnesses.

7
8
9 Q. DOES ANY OF THIS TESTIMONY ADDRESS POINTS MADE IN YOUR DIRECT
10 TESTIMONY?

11
12 A. Yes, Mr. Sorenson claims that I (as well as Charlotte TerKeurst and Aleen Bayard) did
13 not correctly apply the automatic volume discount for SimpliFive, and Ms. Shah discusses the
14 work involved in performing a bill comparison. In addition, Ms. Shah references the fact that I
15 represent CUB on the Consumer Education Fund.

16
17
18 Q. DO YOU AGREE WITH MR. SORENSON ABOUT THE VOLUME DISCOUNT?

19
20 A. No, I do not. It appears that Ameritech is misinterpreting its own tariff. Mr. Sorenson
21 states that "Ameritech applies the SimpliFive discounts to the entire pre-discount amount...The
22 CUB witnesses have applied the 15 percent discount only to the portion of the pre-discount

1 amount in the \$15 to \$29.99 range, and the 30 percent discount to the portion over \$30.” (AI Ex
2 2.0, pg. 11)

3 According to the tariff, “Usage (Band A, B, and C) is accumulated on a per line basis
4 during the customer’s billing period. A percentage discount is then applied, as appropriate, to
5 *each level of usage* depicted below.” (italics added)

6 The levels of usage are depicted below.

Total Accumulated Usage	% Discount Applied
First \$14.99	0.0%
\$15.00 to \$29.99	15.0%
Over \$30.00	30.0%

7
8 (ILL. CC 20 Part 4 Sec 2 6th Revised sheet No. 82). The description of the volume discount in
9 the tariff is clearly consistent with CUB’s interpretation rather than Ameritech’s. A copy of the
10 tariff is attached as Schedule R-1.

11
12
13 Q. HOW DOES THE DESCRIPTION OF THE VOLUME DISCOUNT IN THE
14 SIMPLIFIED TARIFF COMPARE TO THE DESCRIPTION OF THE VOLUME DISCOUNT
15 IN THE BASIC RESIDENTIAL SERVICE TARIFF?

16
17 A. The wording in the two tariffs is virtually identical when describing how to apply the
18 discount. According to the residential usage service tariff, ““Usage (Band A, B, and C) is

1 accumulated on a per line basis during the customer's billing period. A percentage discount is
2 then applied, as appropriate, to each level of usage depicted in B. (1) preceding." (ILL. CC 20
3 Part 4 Sec 2 6th Revised sheet No. 81.1 and ILL.CC 19 Part 4 Sec 2 3rd Revised Sheet No. 36).
4 The tariff continues in explanation: "i.e., the first \$2.60 of residence usage receives no discount,
5 the next \$2.60 is discounted 15.00%, etc."

6 If the tariff explanation is applied to the SimpliFive discount structure, then the first
7 \$15.00 of usage receives no discount, the next \$15.00 is discounted 15.00%, and usage over
8 \$30.00 is discounted 30%. In short, this is the method used by the CUB witnesses. A copy of
9 the basic rate tariffs is attached as Schedule R-2.

10
11
12 Q. DO YOU HAVE A RECOMMENDATION IN CONNECTION WITH THE VOLUME
13 DISCOUNT?

14
15 A. Yes. In order to stop the confusion, Ameritech should be ordered to revise the SimpliFive
16 tariff to make it comply with the volume discount Ameritech has represented to consumers.

17
18
19 Q. TURNING TO MS. SHAH'S DIRECT TESTIMONY, WHAT DOES SHE SAY
20 ABOUT THE DIFFICULTY INVOLVED IN MAKING A BILL COMPARISON BETWEEN
21 BASIC RATES AND EITHER SIMPLIFIVE OR CALLPACK?

1 A. She agrees with my direct testimony regarding the effort involved. Ms. Shah states "I
2 agree that it would be a complex undertaking to independently calculate the rate differences
3 accurately down to the last penny – as Mr. Goldman did for purposes of CUB's testimony." (AI
4 Ex. 1.0, p.36)

5
6
7 Q. DOES MS. SHAH THINK THAT THIS DIFFICULTY POSES A PROBLEM FOR
8 CONSUMERS?

9
10 A. Not at all. Ms. Shah believes that the difficulty is not particularly relevant. She claims
11 "Customers just need to contact an Ameritech Illinois service representative, who will perform
12 the calculations for them." (Ibid.)

13
14
15 Q. DO OTHER AMERITECH WITNESSES MAKE SIMILAR CLAIMS?

16
17 A. Yes. Mr. Curtis discusses in detail how Ameritech customer service representatives can
18 perform comparisons of basic rates to SimpliFive and CallPack rates using customer's actual
19 usage history (AI Ex. 4.0, p. 3-6). Also, Mr. Fargo explains that since the outside telemarketing
20 vendors do not have access to billing records, they "are trained to tell customers that they are not
21 sure if the customer will save money or not over what they are currently paying." He further
22 explains that if customers persist in asking for actual rate comparisons, they are told to call an
23 Ameritech customer service representative. (AI Ex. 3.0 p.4)

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4

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6 Q. DO YOU AGREE WITH AMERITECH'S WITNESSES THAT CONSUMERS CAN
7 RECEIVE OBJECTIVE AND RELIABLE INFORMATION REGARDING RATE
8 COMPARISONS FROM CUSTOMER SERVICE REPRESENTATIVES.

9

10 A. No, I do not. There are two errors in Ameritech's position. First I will address the
11 situation of those consumers being marketed to as a winback. Mr. Fargo's direct testimony is
12 very clear that in telemarketing situations, Ameritech's representatives are trained to first deflect
13 questions about savings, and to then refer the consumer to a customer call center. Ms. Shah states
14 in her direct testimony that if a winback customer asks for a rate comparison, "the outside
15 contractor will refer the customer to an Ameritech Illinois service representative who can
16 perform the analysis." (AI Ex. 1.0, p.29) Even if the customer is referred to a customer service
17 representative, the customer service representatives do not have all of the information necessary
18 to perform a bill analysis for winback customers because they may not have information
19 regarding the consumer's Band C calls, since they carried by another provider. Therefore, the
20 customer service representative could not conduct a valid and complete analysis.

21

22 In Mr. Curtis' direct testimony regarding the procedures in place at the customer call centers, he
23 explains that the representatives can use an online tool called Salestar, which will make rate

1 comparisons for individual calls. Mr. Curtis fails to explain that Ameritech cannot make a
2 detailed bill comparison for winback customers unless the consumer itemizes his or her band C
3 usage because the representatives do not have access to those customers' local toll calling
4 information.

5 Q. DO WINBACK CUSTOMERS HAVE A REASONABLE OPPORTUNITY TO
6 OBTAIN BILLING COMPARISONS FROM AMERITECH?

7
8 A. No. It is not reasonable to expect consumers to independently make a call to Ameritech
9 customer service to get a rate comparison when faced with a personal phone call suggesting,
10 sometimes repeatedly, that it would benefit them to subscribe to an OCP like Simplifive.
11 Further, even if they do make the call to Ameritech customer service, they may not get a
12 complete comparison because their Band C calls are carried by another provider.

13
14
15 Q. WHAT IS THE SITUATION FOR NON-WINBACK CUSTOMERS?

16
17 A. The situation for non-winback customers is a little different, because in this case
18 Ameritech customer service representatives do have the complete customer calling history
19 available to them.

20
21 However, there do not appear to be any non-winback marketing materials that actually inform
22 consumers that this analysis is available from the customer service representatives. Without this
23 information, consumers have no way of knowing that this resource is available or is necessary or

1 appropriate. Therefore, from the vantage point of the individual consumer, this resource might as
2 well not exist.

3
4 By not explicitly informing consumers that a bill comparison is appropriate or advisable in the
5 bill inserts and other marketing material, Ameritech places an unreasonable burden on the
6 consumer to not only make another call to receive the information, but to ask the right questions.
7 Consumers should have the information made available to them upfront as part of the marketing
8 contact.

9
10
11 Q. ARE THERE OTHER REASONS A CONSUMER MAY BE RELUCTANT TO
12 CONTACT AMERITECH CUSTOMER service with questions about Simplifive or CallPack?

13
14 A. An additional barrier to making that phone call exists in the perception that the customer
15 service representatives are no longer traditional service representatives, but have now become
16 Ameritech salespeople. It is my understanding, and that of many consumers, that calling an
17 Ameritech customer service representative for any reason will result in that representative trying
18 to sell additional services, whether or not that is the purpose of the call. This problem has been
19 widely reported in the media (Chicago Tribune 2-21-00 & 3-29-00, Chicago Sun-Times 3-6-00),
20 and provides an additional barrier to recommending that a consumer call and uncritically rely on
21 an Ameritech customer service representative.

1 Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT ACCEPTING AMERITECH'S
2 POSITION THAT CONSUMERS SHOULD JUST CALL AMERITECH TO GET RATE
3 COMPARISONS?
4

5 A. Even if a customer service representative gives the consumer the "bottom line", which
6 Mr. Curtis claims is what customers "prefer", I do not think that is sufficient to allow the
7 consumer to make the right choice. Ms. Steigman relates in her testimony that she was given
8 the "bottom line" and told that CallPack would benefit her, but she did not receive complete rate
9 information about why or how she would benefit when she spoke with a customer service
10 representative. Mr. Curtis responds to this problem by claiming that she did not ask for that
11 information. (AI Ex. 4.0 p. 9) Yet consumers calling for information shouldn't have to
12 specifically ask for complete information, it should be provided automatically. In other words,
13 Ameritech's representatives should not be allowed to censor or limit the information they
14 provide to customers based on their own judgment. It would be much more appropriate to
15 provide complete information to the customer at the outset, and let the consumer make the
16 decision regarding what information to use and what to ignore. This would enable the consumer
17 to look at his or her overall calling pattern and decide what plan is best. The consumer could
18 decide if he or she could take advantage of an OCP if the consumer knew what rates are lower
19 and what rates are higher than basic rates even if the consumer did not do the detailed analysis I
20 conducted in my Direct Testimony.
21
22

1 Q. DO YOU THINK EXPECTING CONSUMERS TO RELY ON AMERITECH
2 CUSTOMER SERVICE FOR BILLING COMPARISONS IS REASONABLE?

3
4 A. No. It is not a reasonable or viable option for non-winback consumers to call and
5 uncritically rely on Ameritech customer service for a rate and bill analysis. First, Ameritech does
6 not disclose this possibility or need in its marketing materials. Second, consumers making that
7 call will be subject to another sales pitch per Ameritech procedures, and third, Ameritech's own
8 witness Mr. Curtis admits that consumers may not be provided complete information if they
9 don't ask all the right questions.

10
11
12 Q. ON ANOTHER SUBJECT, MS. SHAH SUGGESTS THAT THE CONSUMER
13 EDUCATION FUND, WHICH YOU SERVE ON, COULD BE USED TO CARRY OUT THE
14 EDUCATIONAL PROGRAM PROPOSED BY MS. TERKEURST. DO YOU AGREE WITH
15 HER?

16
17 A. No, I do not. Neither Ameritech nor the Commission has the authority to require the
18 Fund to undertake such a program -- "The use of the funds will be controlled by the CEF
19 Committee." (98-0555 Final Order) The Commission has appointed a 5 member committee to
20 oversee the fund, which includes representatives from CUB, the Cook County States Attorney,
21 the Illinois Attorney General, Ameritech and Commission Staff. Ameritech and Commission
22 Staff each have only one of the five votes in determining how the money will spent. Neither can
23 dictate to the Committee how CEF should be spent. Therefore, it is inappropriate for Ameritech

1 to suggest the Committee should spend the money in the CEF to remedy the problems identified
2 in this case and outside the context of CEF Committee meetings.

3

4

5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6

7 A. Yes, it does.

ILLINOIS BELL
TELEPHONE COMPANY

Ameritech

Tariff

ILL. C.C. NO. 19
PART 4 SECTION 2

PART 4 - Exchange Access Services
SECTION 2 - Exchange Lines and Usage

3rd Revised Sheet No. 36
Cancels
2nd Revised Sheet No. 36

3. USAGE SERVICES IN MARKET SERVICE AREAS 1, 2, 3, 6, 7, 9, and 15 (cont'd)

3.3 Rates and Charges (cont'd)

E. Residence 5 & 5 Calling Plan

1. The residence 5 & 5 Calling Plan provides for calling on a per call basis to the terminating districts in Band A. All other local calls are charged on a per minute basis.
2. Usage (Band A, B, and C) is accumulated on a per line basis during the customer's billing period. A percentage discount is then applied, as appropriate, to each level of usage depicted below. Discounts are not applicable to Operator-Assisted Call Surcharge as specified in Part 11, Section 1 of this tariff and in Part 11, Section 1 of tariff Ill. C.C. No. 20. (T)

<u>Total Accumulated Usage</u>	<u>% Discount Applied</u>
First \$14.99	0.0%
\$15.00 to \$29.99	15.0%
Over \$30.00	30.0%

3. In addition to usage charges, monthly network access line charges, as specified in 2.2 preceding are applicable.
4. Service Order Charges to add or remove this Calling Plan, as specified in Part 1, Section 6, of tariff Ill. C.C. No. 20 will not apply.

F. Residence Local Call Plans

Local Call Plans consist of a fixed monthly rate for a specific number of calls. Calls made in excess of the applicable allowance are charged on per call basis.

<u>Local Call Plans</u>	<u>Call Allowance</u>	<u>Monthly Rate Per Line</u>	<u>Charge Per Call^{/1/}</u>
Economy	100	\$10.00	\$0.10

/1/ Charge per call in excess of the call allowance to terminating districts in Bands A, B, and C.

Pursuant to I.C.C. Order in Docket No. 96-0069 dated December 16, 1998.

Issued: January 6, 1999

Effective: February 21, 1999

By D. H. Gebhardt, Vice President - Regulatory Affairs
225 West Randolph Street
Chicago, Illinois 60606

PART 4 - Exchange Access Services
SECTION 2 - Exchange Lines and Usage

6th Revised Sheet No. 82
Cancels
5th Revised Sheet No. 82

4. USAGE SERVICES IN MARKET SERVICE AREA 1 (cont'd)

4.3 Rates and Charges (cont'd)

E. Residence 5 & 5 Calling Plan^{/1/}

- (1) The residence 5 & 5 Calling Plan provides for calling on a per call basis to the terminating districts in Band A. All other local calls are charged on a per minute basis.
- (2) Usage (Band A, B, and C) is accumulated on a per line basis during the customer's billing period. A percentage discount is then applied, as appropriate, to each level of usage depicted below. Discounts are not applicable to Operator-Assisted Call Surcharge as specified in Part 11, Section 1 of tariffs Ill. C.C. No. 19 and Ill. C.C. No. 20. (C)
(C)

Total Accumulated Usage	% Discount Applied
First \$14.99	0.0%
\$15.00 to \$29.99	15.0%
Over \$30.00	30.0%

- (3) In addition to usage charges, monthly network access line charges, as specified in 2.1 preceding are applicable.
- (4) Service Order Charges to add or remove this Calling Plan, as specified in Part 1, Section 6, will not apply.

/1/ Band A and B Residence Usage Services are classified as competitive for all Residence customers in the following districts: Alton, Belleville, Champaign Urbana, Collinsville, Danville, Decatur, East Moline, East St. Louis, Edgemont, Edwardsville, Granite City, Moline, O'Fallon, Peoria, Quincy, Rock Island, Rockford, Springfield, and Wood River. Band C Residence Usage Services are classified as competitive. The applicable usage rates are specified in Part 4, Section 2, of tariff Ill. C.C. No. 19.

Pursuant to I.C.C. Order in Docket No. 96-0069 dated December 16, 1998.

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By D. H. Gebhardt, Vice President - Regulatory Affairs
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Attachment K-2

ILLINOIS BELL
TELEPHONE COMPANY

Ameritech
Tariff

ILL. C.C. NO. 19
PART 4 SECTION 2

PART 4 - Exchange Access Services
SECTION 2 - Exchange Lines and Usage

5th Revised Sheet No. 35
Cancels
4th Revised Sheet No. 35

3. USAGE SERVICES IN MARKET SERVICE AREAS 1, 2, 3, 6, 7, 9, and 15 (cont'd)

3.3 Rates and Charges (cont'd)

2. Residence Usage Service in Market Service Areas 2, 3, 6, 7, 9 and 15^{/1/} (T)
(T)

<u>Total Accumulated Usage</u>	<u>% Discount Applied</u>	
First \$2.60	0.00	
Next \$2.60 (\$2.61 to \$5.20)	15.00	
Next \$5.20 (\$5.21 to \$10.40)	20.00	
Next \$15.60 (\$10.41 to \$26.00)	20.00	
Next \$26.00 (\$26.01 to \$52.00)	32.20	(T)
Next \$52.00 (\$52.01 to \$104.00)	33.00	
Over \$104.00	33.00	

- C. In addition to usage charges, monthly network access line charges as specified in Paragraph 2.2 preceding are applicable.

/1/ Residence usage service, in the following districts are classified as competitive for all residence customers: Alton, Belleville, Champaign Urbana, Collinsville, Danville, Decatur, East Moline, East St. Louis, Edgemont, Edwardsville, Granite City, Moline, O'Fallon, Peoria, Quincy, Rock Island, Rockford, Springfield, and Wood River.

(D)
(D)

Issued: July 13, 1999

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By D. H. Gebhardt, Vice President - Regulatory Affairs
225 West Randolph Street
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4. USAGE SERVICES IN MARKET SERVICE AREA 1 (cont'd)

4.3 Rates and Charges (cont'd)

B. Minutes of Use Rate Schedules (cont'd)

1. Residence Usage Service^{/1/}

Total Accumulated Usage

% Discount Applied

First \$2.60	0.00
Next \$2.60 (\$2.61 to \$5.20)	15.00
Next \$5.20 (\$5.21 to \$10.40)	20.00
Next \$15.60 (\$10.41 to \$26.00) ^{/2/}	24.00 (R)
Next \$26.00 (\$26.01 to \$52.00)	33.00
Next \$52.00 (\$52.01 to \$104.00)	33.00
Over \$104.00	33.00

(T)

C. Usage is accumulated on a per account basis during the customer's billing period. A percentage discount is then applied, as appropriate, to each level of usage depicted in B.(1) preceding, i.e., the first \$2.60 of residence usage receives no discount, the next \$2.60 is discounted 15.00%, etc.

D. In addition to usage charges, monthly network access line charges, as specified in 2. preceding or monthly port charges as specified in Part 19, Section 1 of this tariff are applicable.

/1/ Band A and B Residence Usage Services are classified as competitive for all Residence customers in the following districts: Alton, Belleville, Champaign Urbana, Collinsville, Danville, Decatur, East Moline, East St. Louis, Edgemont, Edwardsville, Granite City, Moline, O'Fallon, Peoria, Quincy, Rock Island, Rockford, Springfield, and Wood River. Band C Residence Usage Services are classified as competitive. The applicable usage rates are specified in Part 4, Section 2, of tariff Ill. C.C. No. 19.

/2/ Effective with bills being issued after August 14, 1999.

Issued: July 13, 1999

Effective: July 14, 1999

By D. H. Gebhardt, Vice President - Regulatory Affairs
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